

Memorandum

To: Panel Members Date: May 23, 2002

From: Creighton Chan, Manager
Peter DeMauro, General Counsel Analyst: A. Emerson

Subject: One-Step Agreement for **Fisher Investments, Inc. (SET)**
www.fi.com

CONTRACTOR:

- Training Project Profile: SET-Workers Earning at Least State Average Hourly Wage
Retrainees: Companies with Out-of-State Competition
Locating into or expansion within California
- Legislative Priorities: Locating into or expansion within California
- Type of Industry: Finance and Insurance
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 394
 - In California: 298
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$644,100
- Substantial Contribution: \$0
- Total ETP Funding: \$644,100
- In-Kind Contribution: \$1,564,800
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Mateo
- Duration of Agreement: 24 months

which conducts significant business outside California--the Woodside site has been determined eligible for standard retraining (under the out-of-state competition provision listed in Title 22, California Code of Regulations, Section 4416(d)). Corporate headquarter trainees will come from functional groups providing internal, centralized support for 140 Fisher sales locations located throughout the United States and Europe. These functional groups include general office, human resources, business development, marketing, research, trading, operations, finance, and information technology. Exact support services are many, such as collecting technical stock data, proposing new trading strategies, analyzing stocks, making investments, providing billing and human resources services, answering questions about client portfolios, providing ongoing information about stocks and investments, and providing computer systems, networks, and data processing capabilities. Trainees from said functional groups directly support permanent FI locations out-of-state and do not provide goods or services directly to FI customers.

Second, three Fisher Investments call centers located in Woodside and San Mateo (2) are also eligible for ETP funding and retraining under the Panel's out-of-state competition provisions outlined under 22-CCR Section 4416(a)(3,4). These call centers provide client support, investment counselor and related client-support services directly to Fisher Investments' customers located throughout the United States and Europe. The trainees employed at these three call centers provide these client services through a centralized 800-telephone number through inbound call volumes only. These functions are only performed at these three Fisher Investments facilities.

Third, Fisher Investments sales groups located in Woodside and San Mateo are included in the proposed training program under the SET provisions specifically targeted for frontline workers earning at least the state average hourly wage. Trainees will be frontline workers in sales who provide face-to-face client support services and telephone assistance to Fisher Investment sites located throughout the United States and Europe.

Fisher Investments is a leader in the institutional money management field. The company pioneered money management for the individual investor. Through its Private Client Group, FI manages assets for high net-worth groups and individuals. By utilizing computer technology, FI is able to provide customized solutions to better meet the investments needs of clients. Large customers include Northrop

NARRATIVE: (continued)

Grumman, Mack Truck, Foremost McKesson Foods, the City of Detroit, and pension funds of major corporations and city, county, and state governments. Approximately 40 percent of Fisher's sales comes from outside California.

Fisher Investments is under severe pressure to reduce production cost, increase product quality, and improve response time. Competitors outside California are implementing new investment processes and performance systems, which provide faster and more accurate data regarding client accounts and portfolios. To remain competitive, Fisher will, for the first time, implement continuous improvement teams to evaluate and improve production processes: specifically, Six Sigma quality improvement technology. After employees are trained on the new technology, problem-solving teams will be assembled to implement the proposed changes. In addition, new computer technology, FIN Portfolio software, is being implemented. This software will be implemented over the next two years to allow faster and more accurate client support services so that more customers will be able to access current information more rapidly. Similarly, new ONYX software will be implemented to provide accurate client information quickly, which also will improve client satisfaction.

Fisher is currently acquiring a new 50,000 square foot facility in San Mateo. This will require hiring and training approximately 460 new employees during in the next two years. The ETP-funded training will give FI the ability to provide the training needed to facilitate these retrainees' assimilation into the corporate culture and functions. Trainees will receive three types of training in continuous improvement, computer skills, and business skills.

Continuous Improvement Training--The company will implement continuous process improvement teams to identify areas where improvements are needed so that accuracy, reductions in waste, and better customer service can be effected. Trainees will be given the ability to make decisions and control the implementation of their solutions. Employees from all areas of the company will be involved, including investment counselors, account executives, support staff, customer service staff, technical staff, managers, and supervisors.

Computer Skills Training—Fisher Investments is in the process of implementing new software systems through the year 2004. Financial software, customer databases, and investment forecasting applications are being implemented to keep pace with the investment industry. Employees from most functional areas in the company will be trained in these applications. Investment counselors, account executives, support staff, customer service staff, technical staff, managers, and supervisors will be trained.

Business Skills Training—Select FI employees will utilize business skills training to provide internal and external customers information on how to use various hardware, software systems, and operating procedures. In addition, trainees must learn how to listen, negotiate, manage conflict, and communicate with internal and external customers more effectively so that fewer mistakes will be made. Investment counselors, account executives, support staff, customer service staff, technical staff, managers, and supervisors will be trained.

Supplemental Nature of Training

The training requested in this application supplements, rather than displaces, training funded through existing programs conducted by the applicant. Fisher Investments provides introductory level training at its own expense. Topics such as the company orientation, basic computer skills, and basic sales skills are

NARRATIVE: (continued)

provided at the company's expense. The proposed training is driven by changes in the industry requiring the acquisition of new process improvement skills and new software skills. FI is asking the ETP to help fund a training program that will be formalized and will become part of the company's ongoing training after the term of the ETP Agreement.

None of the proposed training has been previously provided to employees. Fisher will continue to provide sale skills training at its own expense: ETP funds will not be used to underwrite basic job skills such as the sales cycle, basic sales skills, closing sales, and handling objections. After this Agreement ends, Fisher Investments will provide advanced teambuilding training and advanced supervisory skill training to support staff, managers, and supervisors.

In-Kind Contribution

Fisher Investments will provide an in-kind contribution of \$208,300 in project development, training needs assessments, training materials, training for company personnel receiving ETP training but not enrolled, additional SOST, and the cost of replacement workers to cover times when employees are in training. An additional \$1,356,500 will be provided by the Contractor to defray wages paid to staff while attending ETP-funded training. The total in-kind contribution made by Fisher Investments is \$1,564,800.

COMMENTS:

Fisher Investments is hiring a significant number of people. Some of these individuals will not have had 90 days of California employment prior to starting with the firm—this is permissible under Title 22, California Code of Regulations, Section 4409 (a), which states that participants in SET projects are not subject to eligibility provisions applicable to regular retrainees. For Fisher's SET retrainees, the first day of employment and first day of training will be the same. FI is requesting that these employees, located in Woodside and San Mateo, be included in the proposed training program under the SET provisions specifically targeting frontline workers as outlined in the Agreement. These persons—who will work as client services staff, investment counselors, and salespersons—will provide service to clients face-to-face or by telephone communication.

None of the individuals earning over \$50.00 per hour, are executive staff or have the authority to change or make company policy.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funding is available and the project meets Panel priorities. The company states that the ETP-funded training will provide the skills needed by both new and existing employees, and will help the company expand in the intensively competitive money management marketplace.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
1-3 Retrainees	Continuous Improvement, Computer Skills, Business Skills	306	40-70	0	0-130	\$520-\$1,950	*\$12.16-\$51.95
4 SET Retrainees	Continuous Improvement, Computer Skills, Business Skills	30	30	0	130	\$1,950	\$20.27-\$46.13
					<u>Range of Hourly Wages</u>		
					*\$12.16-\$51.95		
					<u>Prevalent Hourly Wage</u>		
					\$28.11		
					<u>Average Cost per Trainee</u>		
					\$1,917		
<u>Health Benefit used to meet ETP minimum wage:</u>					<u>Turnover Rate</u>	<u>% of Mgrs & Supervisors to be trained:</u>	
* Health benefits of at least \$1.50 per hour will be added to some Group 2 trainee wages to meet the ETP minimum hourly rate of \$12.16 per hour for San Mateo County.					5%	4%	

FISHER INVESTMENTS MENU CURRICULUM

Hours
Class/Lab

Hours
SOST
Trainer

40-70

0-4, 278

Jobs 1-4 trainees will receive any of the following:

CONTINUOUS IMPROVEMENT

- Lean Service
- Six Sigma
- Continuous Process Improvement
- Problem Selection
- Processes
- Data Gathering/Data Analysis
- Root Cause Analysis
- Solutions
- Costs and Benefits
- Planning
- Implementing Solutions
- New Processes
- Meeting Customer Needs
- Customer Communication
- Resolving Team Conflict
- Operating Procedures
- Marketing Techniques
- Product Knowledge
- Interpersonal Communications
- Negotiating Skills
- Priorities

TRAINER ACTIVITY PLAN

- Coach trainees in using Lean Service techniques learned in class
- Coach trainees using Continuous Process Improvement
- Review trainee's suggested process improvements
- Coach trainees in improving customer satisfaction
- Answer questions regarding operating procedures
- Answer questions regarding better meeting customer needs

Competencies: Trainees will be able to use Continuous Improvement skills to reduce waste, improve customer satisfaction, and increase sales.

FISHER INVESTMENTS MENU CURRICULUM

COMPUTER SKILLS

- Production Applications
- Internal Customer Applications
- Data Entering and Editing
- External Customer Applications
- FISHER Computer Applications
- Computerized Reports
- Computerized Inventory
- FISHER Product Types
- Order Processing
- FIN Portfolio Update and Reporting
- ONYX Contact Update and Reporting
- Forecasting Software

TRAINER ACTIVITY PLAN

- Review computer applications with trainees
- Make assignments using computer reports
- Observe trainees working with customers
- Answer questions regarding FISHER computer applications
- Review trainee's data input
- Review trainee's computer reports

Competencies: Trainees will be able to use the computer system to improve internal and external customer communication and improve customer service.

FISHER INVESTMENTS MENU CURRICULUM

BUSINESS SKILLS

- Project Management
- Planning and Control
- Integrating Change into the Workplace
- Business Processes
- Setting Priorities
- Innovation
- Listening Skills
- Negotiating Skills
- Conflict Management
- Communication Skills
- Product Knowledge
- Marketing Techniques

TRAINER ACTIVITY PLAN

- Coach trainees on project management skills
- Coach trainees on integrating change into the workplace
- Coach trainees on interpersonal communication
- Review products specifications with trainees
- Review marketing issues with trainees

Competencies: Trainees will be able to use Business skills to improve customer communication and increase sales.
